

SOUTH DALLAS COUNTY LANDFILL AGENCY

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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South Dallas County Landfill Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Shirley McAdon	Chairperson	City of Adel
Vickie Moorhead	Secretary/Treasurer until Nov. 2004 Director from Nov. 2004 to present	N/A

South Dallas County Landfill Agency

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Members of South Dallas County Landfill Agency:

We have audited the accompanying component unit financial statement of South Dallas County Landfill Agency, a component unit of the City of Adel, Iowa, as of and for the year ended June 30, 2005. This component unit financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this component unit financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this component unit financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the component unit financial statement referred to above presents fairly, in all material respects, the cash basis financial position of South Dallas County Landfill Agency as of and for the year ended June 30, 2005 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2005 on our consideration of South Dallas County Landfill Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the component unit financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

November 14, 2005
Ames, Iowa

South Dallas County Landfill Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Dallas County Landfill Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the South Dallas County Landfill Agency has been prepared for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles (GAAP). Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the South Dallas County Landfill Agency's financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

2005 FINANCIAL HIGHLIGHTS

- ◆ The Agency's operating receipts increased approximately 17.4% or \$111,419 from fiscal year 2004 to fiscal 2005 while operating disbursements increased approximately \$230,590 for the same period, \$186,596 of which is attributable to construction of a new cell.
- ◆ The Agency's Closure Post Closure fund balance increased by \$49,143 from fiscal year 2004 to fiscal year 2005.
- ◆ The Agency's net assets increased 3.6%, or approximately \$158,819 from June 30, 2004 to June 30, 2005.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2005 and June 30, 2004 are presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2005	2004
Operating Funds		
General Operations		
Receipts	\$ 766,878	710,997
Disbursements	581,916	351,326
Transfers in (out)	(79,168)	-
Capital Improvements		
Receipts	3,882	25,154
Disbursements	-	-
Transfers in (out)	-	-
Increase in net assets - cash basis	109,676	384,825
Net assets beginning of year	3,221,806	2,836,981
Net assets end of year	3,331,482	3,221,806
Closure/Postclosure Funds		
Receipts	12,362	42,528
Disbursements	42,387	36,744
Transfers in (out)	79,168	-
Increase in net assets - cash basis	49,143	5,784
Net assets beginning of year	1,147,687	1,141,903
Net assets end of year	1,196,830	1,147,687
Net assets end of year - all funds	\$ 4,528,312	4,369,493

The \$34,609 (4.7%) increase in receipts from the operating funds was due to increased tonnages received in fiscal 2005. Operating disbursements increased by \$230,590 due to construction of Phase II area of the landfill (\$186,596) and increased fees paid to Metro Waste Authority and North Dallas Regional Solid Waste Planning Commission per agreement to accept waste from those service areas.

Closure/post closure receipts totaled \$12,362 in fiscal year 2005 as compared to \$42,528 for fiscal 2004 due to interest on matured investments. Expenditures increased by \$5,643 due to costs of hauling leachate from the closed areas.

LONG-TERM DEBT

The Agency has no long term debt.

INVESTMENTS

The Agency invests nearly 60% of its assets in long-term U.S. Treasury's and nearly 34% of its assets in short term (1 year or less) Certificates of Deposit.

ECONOMIC FACTORS

South Dallas County Landfill Agency continued to improve its financial position during the 2005 fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- The cost of replacement and constant maintenance of high dollar equipment necessary for the operation of the landfill continues to be a challenge.
- While the Agency supports C&D recycling facilities currently operating in the Metro area, it is unknown at this time what impact these facilities will have on current tonnage levels and subsequent revenue. This issue will present a challenge as the Agency strives to provide services at a reasonable cost to its customers.
- The agreement between South Dallas County Landfill, North Dallas Regional Solid Waste Planning Commission and Metro Waste Authority automatically renews on February 1st of each year. Notice of non-renewal by any party (required prior to December 1st) could impact tonnages received and subsequently impact the current revenue stream.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- The Agency anticipates the current fiscal year will show increased expenditures due to installation of lechate and water lines, facility improvements and the addition of management staff.
- The Agency will continue to monitor its resources and expenditures in order to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional information, contact South Dallas County Landfill Agency Adel, Iowa.

Financial Statement

South Dallas County Landfill Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

Year ended June 30, 2005

Operating receipts:	
Covering fees	\$ 15,912
Gate charges	722,119
Refunds and miscellaneous	12,359
Total operating receipts	<u>750,390</u>
Operating disbursements:	
Salaries and payroll taxes	136,594
Employee benefits	26,618
Solid waste contract	73,084
Recycling fees	22,566
Department of Natural Resources tonnage fee	9,715
Expansion	186,596
Engineering and consulting	4,426
Repairs and maintenance	69,619
Fuel	22,189
Insurance	13,059
Mileage	266
Utilities	1,517
Telephone	1,122
Sales tax	403
Miscellaneous	1,072
Office supplies	11,748
Dues and memberships	272
Capital purchases	1,050
Total operating disbursements	<u>581,916</u>
Excess of operating receipts over operating disbursements	<u>168,474</u>
Non-operating receipts (disbursements):	
Interest on investments	26,016
Litigation settlements	6,716
Engineering and consulting	(8,164)
Monitoring and inspection fees	(3,920)
Repairs and maintenance	(23,776)
Utilities	(494)
Miscellaneous	(3,333)
Fuel	(2,700)
Total non-operating receipts (disbursements)	<u>(9,655)</u>
Change in cash basis net assets	158,819
Cash basis net assets beginning of year	<u>4,369,493</u>
Cash basis net assets end of year	<u>\$ 4,528,312</u>
Cash Basis Net Assets	
Restricted for:	
Closure/postclosure operations	\$ 384,380
Closure	58,784
Postclosure care	753,666
Total restricted net assets	<u>1,196,830</u>
Unrestricted	<u>3,331,482</u>
Total cash basis net assets	<u>\$ 4,528,312</u>

See notes to financial statement.

South Dallas County Landfill Agency

Notes to Financial Statement

June 30, 2005

(1) Summary of Significant Accounting Policies

South Dallas County Landfill Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in South Dallas County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from the member city, Adel. The chairperson is appointed by the participating political subdivision and has one vote.

The Agency is a component unit of the City of Adel. The accompanying financial statement includes only the activities of the Agency. Financial statements for the City of Adel can be obtained by contacting the City Hall in Adel.

A. Reporting Entity

For financial reporting purposes, South Dallas County Landfill Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The Agency participates in two jointly governed organizations that provide goods or services to the customers of the Agency but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. An Agency official is a member of the following boards: Adel Desoto Minburn School Board and Adel Board of Adjustment.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an

Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

South Dallas County Landfill Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

The following accounting policy is followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Restricted Cash Basis Net Assets – Funds set aside for payment of closure and postclosure care are classified as restricted.

(2) Cash and Pooled Investments

The Agency's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005 the Commission had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	<u>\$ 2,682,132</u>	<u>\$ 2,809,507</u>

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

(3) Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$7,574 \$5,958 and \$5,524, respectively, equal to the required contributions for each year.

(4) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

The Agency has an area of the landfill that has been closed and no longer accepts waste. Those areas that remain open to accept waste are referred to below as the open areas. The total costs for South Dallas County Landfill Agency as of June 30, 2005 have been estimated at \$92,412 and \$313,805 for closure and postclosure, respectively in the Agency's open areas and \$511,027 for postclosure in the Agency's closed area, for a total of \$917,244. The estimated remaining life of the landfill is 40 years, with approximately 20 percent of the landfill's capacity used at June 30, 2005.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2005, assets of \$812,450 are restricted for these purposes, of which \$58,784 and \$207,603 are for closure and postclosure care, respectively in the Agency's open areas and \$546,063 is for postclosure care in the Agency's closed area. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs of the open area are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this

mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(5) Solid Waste Tonnage Fees Retained

The Agency retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2005, the Agency had no unspent tonnage fees.

(6) Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2005 were \$11,073, of which \$5,718 was paid for the 2006 fiscal year.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$5,000. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Solid Waste Contract

South Dallas County Landfill Agency, Metro Waste Authority and North Dallas Regional Solid Waste Planning Commission entered into a solid waste contract on January 25, 2005. Under the contract, the Authority and the Commission are paid a per ton fee for waste accepted by the Agency, originating in other service areas, and the Agency is paid a per ton fee for waste accepted by the Authority and the Commission, originating in the Agency's service area. \$70,951 was paid to the Authority, \$2,133 was paid to the Commission, and \$676 was received from the Authority during the year ended June 30, 2005.

(8) Household Hazardous Waste Agreement

The Agency entered into a waste collection agreement with Metro Waste Authority. The Authority operates a collection center for household hazardous waste. The Agency pays the Authority for training and education to operate a collection site, and for collection and disposal services. The Agency paid an annual per capita fee of \$3,132 during the year ended June 30, 2005 for the services.

(9) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability to employees for earned vacation payments at June 30, 2005 was \$6,947. This liability has been computed based on rates of pay in effect at June 30, 2005.

(10) Related Party Transactions

The Agency had business transactions with the City of Adel totaling \$16,426.

(11) Construction Commitment

The Agency entered into a construction contract during the prior fiscal year. The remaining balance on the contract is \$93,017 as of June 30, 2005.

(12) Subsequent Events

In August 2005 the Agency approved the purchase of a track dozer and track loader for approximately \$500,000.

Independent Auditors' Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

South Dallas County Landfill Agency

CLINE, DeVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of South Dallas County Landfill Agency:

We have audited the accompanying financial statement of South Dallas County Landfill Agency as of and for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005. Our report expressed an unqualified opinion on the component unit financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Dallas County Landfill Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the South Dallas County Landfill Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (B) and (C) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Dallas County Landfill Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of South Dallas County Landfill Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Dallas County Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

November 14, 2005
Ames, Iowa

South Dallas County Landfill Agency

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Current personnel will be utilized to maximize additional control.

Conclusion – Response accepted.

- (B) Board – The board consists of one member who has complete authority.

Recommendation – The Agency should review the procedures for appointing members to the board and consider adding additional board members.

Response – We will consider this.

Conclusion – Response accepted.

- (C) Receipts – Receipts are not being charged at the rates set by the governing board. In addition, the charges are subject to adjustment and discrimination by employees.

Recommendation – The Agency has a policy in place, but should review the procedures for charges.

Response – We will consider this.

Conclusion – Response accepted.

- (D) Invoices – Invoices were not properly cancelled to prevent reuse.

Recommendation – Invoices should be cancelled in the future.

Response – We will consider this.

Conclusion – Response accepted.

South Dallas County Landfill Agency

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes – Several transactions were found that we believe should have been approved in the Agency minutes but were not.

Recommendation – The Board should approve all disbursements and contract change orders and document approval in the minutes.

Response – We will consider this.

Conclusion – Response accepted.

- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
City of Adel	Per Capita Fees & Misc	\$ 16,426

- (6) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- (7) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2005, the Agency used or retained the solid waste fees in accordance with Chapters 455B.310(2) of the Code of Iowa.
- (8) Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as required by Chapter 567-111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 92,412	313,805
Less: Balance of funds held in the local dedicated fund at June 30, 2004	(41,445)	(153,473)
	<u>50,967</u>	<u>160,332</u>

South Dallas County Landfill Agency

Schedule of Findings

Year ended June 30, 2005

Divided by the number of years remaining in the pay-in period	÷	4	÷	4
Required payment into the local dedicated fund for the year ended June 30, 2005		12,742		40,083
Balance of funds held in the local dedicated fund at June 30, 2004		<u>41,445</u>		<u>153,473</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2005		<u>\$ 54,187</u>		<u>193,556</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2005		<u>\$ 58,784</u>		<u>207,603</u>

- (9) Form 1099's – The Agency did not properly prepare Form 1099's as required by the Internal Revenue Service.

Recommendation – The Agency should prepare 1099's as required.

Response – We will do so

Conclusion – Response accepted.

